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Least Developed Countries
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Guidelines for the European Union's participation in the Third United Nations Conference on Least Developed Countries (Brussels, 14 to 20 May 2001)

This document is being circulated at the request of the representative of Sweden, on behalf of the European Union.

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NOTE

from :	General Secretariat
date :	12 January 2001
to :	Delegations
Subject :	**Preparation for the 3rd United Nations Conference on Least Developed Countries (Brussels, 14 to 20 May 2001)**

Please find attached the guidelines for the European Union's participation in the above Conference as adopted by the Council on 22 December 2000.

ANNEX

Guidelines for the participation of the European Union in the 3rd UN Conference on Least Developed Countries

INTRODUCTION

Building on the achievements of the major United Nations conferences and follow-up meetings (UNCTAD X, Cairo + 5, Beijing + 5, Copenhagen + 5, the Millennium Summit, Rio + 5, etc), the European Union considers that support for the LDCs' development efforts should follow these guidelines:

- the central aim of this Conference must be the eradication of poverty, contributing to a real improvement in living conditions for the people of the LDCs (Copenhagen + 5 objective, reproduced in the Millennium Declaration, of reducing world poverty by half by 2015);

- an indispensable prerequisite for any strategy to develop the LDCs is the creation of a favourable framework for sustainable human development, by promoting regional integration in accordance with WTO rules, and helping the LDCs to improve their governance and build their institutional capacity;

- a global and sustainable approach, integrating all the dimensions of development (political, institutional, economic, social and environmental), must be adopted, to make an effective contribution towards stemming the deterioration in the LDCs' situation compared with the rest of the world;

- the specific needs and vulnerabilities of the LDCs must be taken into account.

Six key themes, described in detail in the body of this document, should guide the European Union's discussions with the LDCs throughout the preparatory process and during the Conference itself:

- **good governance, peace and social stability, institutional capacity building** (peace and conflict prevention; democracy; respect for human rights; promotion of gender equality; the rule of law; good governance; public and private institutional capacity building; sustainable development; crisis and end-of-crisis management);

- **investing in people** (integrate the social dimensions of development into macroeconomic policies; meet basic social infrastructure needs; develop access to education; develop access to health care; combat pandemics; promote access for all to suitable housing and services; take account of demographic problems; guarantee women and girls full and equal enjoyment of their rights; combat the digital divide),

- **environmental protection, sustainable natural resources management, food and food security** (integrate the environmental dimension of development into macroeconomic policies; improve the management of natural resources; promote the preservation of biological diversity; combat desertification; develop the capacities of the LDCs to confront climate problems, ecological catastrophes, and natural disasters; combat hunger and malnutrition; improve food security),

- **enhancing productive capacity** (put in place consistent, stable and suitable economic policies; promote internal investment and saving, and a better allocation of resources; promote the development of the private sector, the financial sector and the emergence of service activities; enhance product competitiveness; promote development at local level and in rural areas; develop transport and communications infrastructure; ensure improved energy management),

- **international trade, commodities and services** (pursue appropriate macroeconomic and sectoral reforms, so as to stimulate economic growth and integration into world trade and financial flows; improve access for LDC products to markets in developed countries; support and pursue policies of economic diversification; strengthen international trade cooperation; promote regional integration; promote south-south cooperation; promote the development of sustainable tourism),

- **financing growth and development** (improve the effectiveness of aid destined for the LDCs, particularly through the use of PRSPs; adapt instruments for cooperation to the needs and capacities of each LDC; pursue the implementation of the HIPC initiative to meet the LDCs' debt problems and ensure sustainable growth of their economies; encourage flows of direct foreign investment to the LDCs; promote the growth of internal resources; ensure the effective allocation of internal and external resources for the sustainable human development of the LDCs).

The European Union is determined to make every effort to ensure that the Action Plan "for the sustainable development of the LDCs and their gradual integration into the world economy", which will be adopted at the third Conference on LDCs, will be accompanied by concrete and operational policies and measures, drawn up on the basis of:

- active and responsible participation by national authorities, civil society, the private sector, and local players in the LDCs;

- a global partnership on behalf of the LDCs, involving:
  - the mobilisation of the entire international community (financial, economic and trade bodies, and all the agencies, funds and programmes in the United Nations system);
  - increased coordination between all those involved in development at international, regional and national level.

- the effective evaluation of the results of the action programme adopted in 1990, and of the analysis of needs and expectations in the LDCs defined during the process of preparing for the Conference.

With a view to the third Conference on LDCs, the European Union will remain ready to make substantial proposals, bearing in mind the work programme of the UNCTAD Secretariat, which is the Conference secretariat.

1. Part I

A. 1.1Objective and scope of the Conference

1. Ten years after the adoption of the Paris Programme of Action, the targets set therein have not been achieved and LDCs have not been able to take full advantage of the ongoing process of globalisation, which in some cases has also led to a further marginalisation. The task of the 3rd UN Conference on LDCs is to agree on actions necessary to reverse this trend and to promote the sustainable development of LDCs and their progressive integration into the world economy, taking into account the specific set of vulnerabilities and difficulties encountered by these countries. Coming after a decade of UN Conferences addressing development issues, which have set clear development targets, this Conference provides an opportunity to look at the problems and interests of the weakest goup of countries in the context of the new development approach, and thereby help to promote balanced and integrated policies conducive to the eradication of poverty and to sustainable development. The time is now ripe to build on the outcomes of the recent UN Conferences and to assess their specific application to address the particular problems of LDCs.

2. LDCs represent the poorest and weakest segment of the international community. Beyond the formal criteria established by the UN to define the LDCs, this group of countries is characterised by the fact that they cumulate a series of vulnerabilities, such as a limited productive capacity, an acute vulnerability to external economic shocks, natural disasters and communicable diseases, a limited access to education, health services and natural resources, poor infrastructure, lack of access to information and communication technologies. To be effective, sustainable development strategies concerning LDCs should seek to address those vulnerabilities, taking into account the special needs and problems of each country.

3. The achievement of the UN target of reducing by half the number of people living in extreme poverty and who suffer from hunger by 2015 should be the overall objective of the Conference. In the LDCs development efforts, eradication of poverty must be the top priority.

4. In the context of sustainable development, poverty eradication must be based on ownership by LDCs of the development process and on the idea of partnership and mutual responsibility. It also requires a broader approach, taking into account not only the sheer economic aspects of the problem, but also the social, human and environmental dimension. This implies an increased focus on issues like good governance (at national and international level) and the fight against corruption, the full respect of human rights, gender issues, capacity and institutional building, social services supply and the environmental concerns. These priorities are embodied by the objective of sustainable development as endorsed at the Rio Earth Summit and defined in the Copenhagen Declaration. Economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development, which is the framework for any effort to achieve a higher quality of life for all people. Development strategies should be pursued on the basis of that three pillars' approach, which endeavours to secure stable economic growth whilst preserving the environment, to maintain bio-diversity and promoting social equity. Increased efforts in favour of policy coherence and the integration of environmental and social aspects into other policies must therefore be undertaken within the principles agreed at the major UN Conferences.

5. In this context, the importance of governance-related issues should be stressed. Only good governance in all its aspects (accountability, transparency, rule of law and participation) can offer a solid ground on which effective poverty reduction strategies can be founded, while also constituting a necessary precondition for the integration of LDCs into the global economy.

6. Gender issues are especially important as gender inequality hinders growth, poverty reduction and progress in health and education. Gender equality needs therefore to be mainstreamed in all areas.

7. The 3rd UN Conference should seek to produce deliverable outcomes, concentrating on themes where concrete results could be achieved, and avoid fixing another set of ambitious but unrealistic targets. It should draw on work carried out in other *fora*, be consistent with, and not duplicate, other current and recently concluded UN processes (UNCTAD X, Cairo +5, Beijing +5, Copenhagen +5, the Millennium Assembly, Financing for Development process, Rio +5 and preparations of Rio +10, etc.). In particular, the Conference should link the measures and targets agreed at major UN Conferences (the so-called seven pledges) with the specific needs of LDCs and assess the LDCs' progress towards the International Development Targets, with a view to identifying practical measures to speed up this progress. The commitment and resolve of the international community in terms of working together in achieving the goals and objectives of the major Conferences will be put to the test by the development performance of LDCs.

8. A challenge for the Conference is also how to complement and focus the many agendas and processes already in place in different organisations (UN, WTO, Bretton Woods Institutions) and to ensure that LDCs specific issues are adequately taken into account. These different agendas could benefit from crossovers and interactions with points of mutual interest being identified and reinforced. A concrete outcome of the Conference could thus be the creation of an alliance of agendas relating to development at the national level. There is a need for enhanced coherence between international organisations that operate in the fields related to sustainable development to optimise the positive synergies of their activities and policies to further the social development and economic growth of LDCs. The Conference can help promote such coherence.

9. The Conference offers a good opportunity to examine the country impacts of existing development co-ordination and planning processes at country level in LDCs that aim at mobilising actors and resources behind nationally owned policies for poverty eradication: the Comprehensive Development Framework (CDF), the Poverty Reduction Strategy Papers (PRSPs), and the UN Development Assistance Framework (UNDAF) which should ideally support the establishment and implementation of LDCs' national strategies for sustainable development. The country programs of action to be presented at the Conference should be based on those processes. For the EU it is **vital** that all development partners at country level co-ordinate their efforts closely under the leadership of the country in question.

10. The outcome should be a set of concrete proposals for action linked to a set of clear performance indicators (such as UN/IMF/DAC/World Bank indicators), on which the international community and LDCs agree to concentrate their efforts during the next years. The Conference should be regarded as a Conference of "common solutions" requiring action by all partners.

11. The Conference should also pay particular attention to the needs and capacities of each country, in attempting to adapt interventions to specific situations, because the differences between LDCs are often greater than the similarities between them. Development programs will only have a lasting impact when they meet the basic needs and priorities of the country concerned, when they are full

integrated with local and national administrative structures, and when they are designed and implemented in partnership between the donor and the recipient countries. This is an approach that the EU has already adopted as its own and incorporated into the recently concluded Cotonou Agreement as well as in the "Overall Policy Statement on EC Development Policy" adopted in May 2000. The EU will also emphasise this element in the action programme for its implementation.

12. It is necessary to actively involve governments, civil society, private sector, UN agencies, regional development banks and all other important multilateral actors, in order to ascertain and promote their commitment to the preparatory process as well as to the results of the Conference.

13. In particular, civil society is one of the key pillars of development. Engagement of and close cooperation with civil society is therefore essential to ensure the widest possible participation of all sectors of society to provide the conditions for greater equity, inclusion of the poor in the benefits of economic growth and strengthening the democratic fabric of society. The Conference should aim to define ways and means of involving civil society in the establishment of development policies and strategies and in promoting decentralised cooperation whereby actors at the local level take direct responsibility for the drawing up and implementation of cooperation programs.

14. The objective of the Conference is to give impetus to positive progress in individual LDCs. Methods, benchmarks, impact indicators and mechanisms for national follow-ups are therefore important. A possible way of monitoring developments after the Conference could be to integrate a LDC dimension in major international reports and statistics and require multilateral and other agencies to show how LDCs are faring. In line with the most recent orientations on follow-up mechanisms discussed in ECOSOC, the follow-up process at the international and global level should take place within the framework of existing competent organisations and organs. We should thus avoid the creation of any new specific follow-up mechanism but integrate the follow-up better into existing processes.

B. 1.2. Commitment of the EU in favour of the LDCs

15. Hosting the Conference, the EU intends to give a strong political signal on the importance it attaches to the problems of the 48 LDCs showing what it has been doing during the past years to help those countries to address their problems and renewing its commitment to poverty eradication.

16. The EU is one of the major actors in international cooperation and development assistance. European Community and European Member States' aid accounted for more than half (60,02%) of ODA of DAC member countries of OECD in 1998. European Community aid accounts for a quarter of all multilateral aid, making the Community the second largest "multilateral" donor, after the International Development Association of the World Bank. EC aid has seen its share of OECD aid rise from 5.6 per cent for the 1984-89 period to 11.08 percent for 1997, making it the fifth largest DAC donor. Its share of total European Union aid has increased from 13 to 19.72 percent over the same period. 34% of European (Community and Member States) development assistance went to LDCs in 1996/1997. The European Community is also the largest donor of humanitarian aid in the world.

17. The then 70 African, Caribbean and Pacific states received half of all allocable EC aid between 1986 and 1995 (24 bn EURO) and most ACP aid (78%) went to sub-Saharan Africa; among the main beneficiaries were Ethiopia and Mozambique. Food aid remained relatively important for the ACP countries. The main recipients were Ethiopia, Sudan and Mozambique. Humanitarian assistance rose substantially in recent years due to the crisis in Rwanda and Burundi. Project aid, which accounted for

58% of all EC aid to the ACP went mainly to the transport and communications sector (11%), followed by industry, mining and construction (8%), social infrastructure (7.4%), rural development (6.9%) and agriculture (5.8%).

18. The recently concluded Cotonou agreement between the group of 77 ACP States (39 out of 48 LDCs are ACP countries) and the European Community and its Member States is centred on the objective of reducing and eventually eradicating poverty in a way consistent with the objectives of sustainable development and the gradual integration of the ACP countries into the world economy. It combines political dialogue, trade, and development and is based on five independent pillars: a comprehensive political dimension, a participatory approach, a strengthened focus on poverty reduction, a new framework for economic and trade cooperation and a reform of financial cooperation.

19. The 9th EDF (European Development Fund) will be worth 13.5 billion. It has been agreed that this amount will cover the period 2000-2007. The Commission has made a political undertaking to ensure, with those resources and over that period, a significant increase in disbursements for the ACP States.

2. Part II: Key issues

C. 2.1. Good governance, peace and social stability, institutional capacity building

20. The creation or enhancing of a legal framework of transparent, democratic, non-discriminatory and accountable institutions is an essential prerequisite of eradication of poverty in the context of sustainable development. This includes the adoption of measures to promote and protect human rights, fundamental freedoms and gender equality, to support an active and organised civil society, to consolidate the rule of law and to build the capacity of the state to fulfil its functions. Joint efforts are called for in order to combat corruption which has both international and national root causes and ramifications.

21. In order to be truly effective, poverty reduction strategies must be fully owned by the governments and civil societies and be based on a commitment to good governance. Ownership can only be promoted in the framework of balanced partnership, at all levels, including policy dialogue, capacity building and adequate implementation systems. Ownership also implies local availability of knowledge and the ability to analyse complex problems of society and to design policies and strategies to promote economic and social reforms. Research policy and capacity building, including in information technology, therefore need sustained attention.

22. Good governance must also acknowledge the rights of future generations to have access to natural resources and a healthy environment and contribute to the conservation and sustainable management of the global commons like biological diversity and the atmosphere.

23. An active, comprehensive and integrated policy of peace-building and conflict prevention is a major element of a sustainable development strategy. It shall in particular focus on preventing the root-causes of conflicts in a targeted manner and with an adequate combination of available instruments. Concrete measures should aim at balancing political, economic, social and cultural opportunities among all segments of society, strengthening the democratic legitimacy and effectiveness of governance, establishing effective mechanisms for the peaceful conciliation of group interests, protecting the rights of minorities, including indigenous people, and supporting an active and organised civil society.

24. A coherent policy of peace-building and conflict prevention should include support for mediation, negotiation and reconciliation efforts, for effective regional management of shared, scarce natural resources, for demobilisation and reintegration of former combatants in the society, for addressing the problem of child soldiers. Suitable action is also necessary to set responsible limits to military expenditures and the arms trade, including through support for the promotion and application of agreed standards and codes of conduct.

25. Capacity building is a precondition for any further economic and social development. In the context of a partnership-based approach to enhance confidence building, credibility and awareness-building, this includes efforts regarding institutional capacity building, research/practical approach to sustainability; case/country studies, training/networking/information exchanges.

26. Political crises and natural disasters render sustainable development and sectoral policies impracticable. Post-emergency action, using effective and flexible mechanisms, must ease the transition from the emergency phase to the development phase, promote the socio-economic reintegration of the parts of population affected, remove as far as possible the causes of the crisis and strengthen institutions and ownership by local and national actors of their role in formulating a sustainable development policy. The EU endorsed in 1996 a phased approach for strengthening linkages between relief, rehabilitation and development, along the lines of the Commission's Communication on Linking Relief, Rehabilitation and Development of 30 April 1996.

27. To address these issues, LDCs could consider the following priority actions: measures to enhance the legal and administrative framework; set responsible limits to military expenditures and the arms trade; put in place systems for effective regional management of shared scarce natural resources; develop policies aimed at the demobilisation and reintegration of former combatants in the society and at addressing the problem of child soldiers; establish effective mechanisms for the peaceful conciliation of group interests.

28. Concrete priority action by the international community could include: support for measures aimed at the promotion and protection of human rights, the strengthening of the rule of law and the transition to democracy; support for institutional capacity-building and in particular for efforts aimed at developing LDCs negotiating capacities in international fora dealing with, for instance, economic policy, trade, social issues and environmental protection; support for research policies aimed in particular at developing local availability of knowledge; support for mediation, negotiation and reconciliation efforts; actions to promote the adoption of agreed standards and codes of conduct in the field of military expenditure and arms trade. These actions ***could*** *be integrated in the programmation of aid with the beneficiary countries, taking into account the link with other existing development co-ordination and planning processes, and should be carried out according to the principles of co-ordination and complementarity.*

D. 2.2. Investing in people

29. Poverty means not only low incomes and low consumption but also lack of education and poor nutrition and health. An effective poverty reduction strategy should aim at a "pro-poor growth", a broad-based equitable growth in which the poor are in a position to benefit from newly acquired opportunities, including in terms of equal access to production resources, social, health and education services. The role of people, and in particular the poor, in bringing about this social transformation and articulating their interests and views, is crucial. Access to decision- making, to factors of production such as land and capital as well as the means of enhancing the value of labour though education and

health are key in enabling the poor to lift themselves out of poverty. The State (assisted by its external partners) must facilitate this process by creating an enabling environment in terms of policy, law making and institutions while improving the scope and effectiveness of service delivery *vis-à-vis* the poor.

30. Sectoral programmes in health and education, which are a key element in any strategy of poverty eradication, cannot be sustainable if they disregard the macroeconomic framework in which they operate. It must therefore be ensured that macroeconomic reform programmes move towards an integration of social, economic and environmental objectives. Thus, macroeconomic policy must give priority to the conditions necessary for sustainable growth, which creates jobs, reduces inequality, redistributes wealth and safeguards the environment. The same holds for the strategies to promote private sector development, which are essential for integrating LDCs into the world economy and allow them to benefit from enhanced trade opportunities and can be a powerful means for poverty reduction.

31. Social sector policies must aim at equal access for both girls and boys, women and men to basic social services and social protection. Access to clean water and sanitation, health care services, especially the prevention and the fight of HIV/AIDS, malaria and tuberculosis, including research on vaccines and diagnostics is also an essential component. Resources must also be properly targeted towards the poorest of the poor. The introduction of new financial, legal and investment incentives to make drugs and vaccines more accessible to countries in need has to be supported. The European Commission has adopted a new policy framework on "Accelerated action targeted at major communicable diseases within the context of poverty reduction". The policy framework will improve the Commission's response to the increasing spread and growing impact of HIV/AIDS, malaria and tuberculosis through a coherent set of development, trade and research policies. The framework aims at reaching an optimal impact of existing interventions, services and commodities targeted at the major communicable diseases affecting the poorest population, increasing the access to affordable key pharmaceuticals for prevention and care and increasing the investments in research and development of global goods targeted at the three major communicable diseases.

32. Improving social services delivery requires an integrated approach in which increased public expenditure and budget reallocations are accompanied by other measures, such as a greater efficiency in investments, greater emphasis on disease prevention, an enhanced equity in the distribution of opportunities and social services, and the involvement of the private sector **and** NGOs in delivering social services.

33. A number of recent UN global conferences and their respective follow-up processes (the Rio, Copenhagen, Cairo, Beijing and Conferences) have advanced consensus on policies and actions in the areas of population, health and sanitation, education and literacy. A full implementation of the results of those Conferences is a prerequisite of a sustainable development strategy for the LDCs. Policies and measures outlined in those Conferences still need to be implemented.

34. The implementation of the actions suggested requires increased national investments and an enhanced donors support. The earmarking of a greater share of ODA resources to basic social services should be used as a catalyst for an improved resource mobilisation for the social sectors. Donor countries and LDCs should therefore be encouraged to fully implement the 20/20 initiative in order to ensure universal access to basic social services with a view to achieving sustainable social progress and poverty eradication.

35. Population policies and programs must be linked with programs on health, education, housing, employment and the environment. The Cairo Conference establishes as its primary goal to make family planning universally available by 2015. It also provides for measures concerning reproductive health and rights, as well as reduction of infant, child and maternal mortality. These measures are all the more important for LDCs, as their population growth rate is generally higher than the average in other developing countries.

36. Especially in situations of need and often under extremely difficult circumstances, women secure the material basis for survival of their families and societies as a whole. Women's contribution to sustainable development is essential and the severe gender inequalities still existing in most **LDCs** hamper that contribution. There is a very close correlation between progress in gender equality and poverty alleviation. Redressing gender disparities is therefore a crucial development issue. Addressing this issue on the necessary scale requires mainstreaming the gender **perspective** in the conception, design, analysis and implementation of all development policies and interventions. Positive measures on an appropriately large scale are an essential complement to the mainstreaming approach. Women and girls have generally less access to basic assets such as land and credits, to paid work and income, to good health, education and participation in decision making processes – etc. All pro-poor crisis responses would need to consider gender differences, and so would strategies aiming at building up assets for the poor, land reforms and redistribution, introduction of technologies and the use of international and national public goods. Lack of legal security and other forms of gender based discrimination are highly relevant in discussions on the nature and evolution of poverty, on mechanisms aggravating poverty, on deprivation of capacities, as major risks and reasons for social exclusion for poor women, and as the root cause for their voicelessness and restrictions in terms of opportunities. To help empower women, a number of instruments are required: legal reforms, political commitments, and revision of public spending. Empowerment also requires a change in attitudes as regards rights and capabilities of women and men.

37. Developing countries, and especially LDCs, are facing an increasing digital divide. Unless the opportunities flowing from these new technologies are seized, this implies the risk of a new form of marginalisation as access to global networks and advanced services become necessary elements of integration into the world economy. Using research and information technology in applications that support health care, education, food security, etc., requires setting up an appropriate economic and regulatory environment, in particular to mobilise the private sector in these countries. In this context, research and development has a strategic role to play in strengthening know-how and building the necessary specific knowledge base. An appropriate training in the use of information technology is also a crucial element. Scientific and technological knowledge is a strategic element in promoting sustainable and equitable development and consequently in reducing poverty.

38. Priority action by LDCs could include the following measures: adopt macroeconomic reform programs that integrate the economic, social and environmental aspects; remove gender-based discrimination and mainstream gender perspective into all sectors and adopt social sector policies aimed at providing equal access for girls and boys, women and men to basic social services and at an enhanced equity in the distribution of opportunities; involve in an appropriate manner the private sector and NGOs in delivering social services.

39. Concrete priority action by the international community could include: encouragement to the full implementation of the 20/20 initiative; measures aimed at the transfer of relevant knowledge to improve LDCs access to research and information technology; measures to increase the access to key medical treatment to fight the three major communicable diseases, including partnership with the private sector; increasing the investments in research and development of global goods targeted at the three major communicable diseases.

E. 2.3. Environmental protection, sustainable natural resources management and food and nutritious security

40. The depletion of natural resources and the environmental degradation have direct effects on economic development, and thus counteract the alleviation of poverty through sustainable development. A coherent poverty reduction strategy should therefore integrate environmental concerns, as has been recognised in several agreements concluded in the framework of the United Nations (Framework Convention on climate change, Convention on biological diversity, etc.) and of the OECD (Shaping the 21st century strategy). It is essential to include an environmental component into development programs and projects, which distinguishes, identifies and assesses the sustainable dimension of these projects.

41. Improved management of natural resources is, in many cases, the most cost-effective short and medium-term measure to increase incomes, food security and health for the majority of the poor in LDCs. Inadequate responses to the current negative environmental trends will also undermine prospects for long-term economic growth. The OECD/DAC members are committed to assist LDCs so that these negative trends can be reversed by 2015.

42. The impact of climate change varies widely by country but LDCs play an important role in the conservation and sustainable management of global commons, in particular biological diversity that generate significant benefits and wealth for the global community. It is important that the costs for the preservation of these resources are shared with the LDCs as agreed in the Convention on Biological Diversity.

43. LDCs are at present contributing the least to the emission of greenhouse gases while they are the most vulnerable and have the least capacity to adapt to the adverse effects of climate change. LDCs which are island states and which have low-lying coastal areas are faced with sea level rise. LDCs should identify the special vulnerabilities and possible adaptation measures that need to be fully integrated into the country's development strategies including, as appropriate, development cooperation programmes.

44. Poverty is a major cause of food insecurity and sustainable progress in poverty eradication is critical in improving access to food. Food and nutritious security must be part of a larger framework of sustainable rural development and of poverty reduction strategies. It is only through the coherence of sectoral policies related to poverty eradication that food and nutritious security can be assured. The identification and implementation of gender-specific regional/national/subnational food and nutritious security strategies should involve the governments but also all other relevant actors, such as producer and consumer organisations, the private sector, organisations representing vulnerable groups, as NGOs. Food and nutritious security has an important regional element in that it can often only be ensured through a regional rather than a national framework of production and distribution. Ensuring access to foreign markets, and thereby fostering viable domestic production of agricultural and fishery products, is of great importance in establishing food security for LDCs. Food security is also one of the first issues to be addressed in the transition from humanitarian and relief aid towards long-term development. Priority must be given to rehabilitating rural infrastructure after a period of crisis, backing early-warning systems and formulating sectoral policies capable of fostering sustainable food security by improving access to and availability of food for countries and for vulnerable groups, such as poor girls and women, within countries. Food security is also a question of ensuring women's rights to land and inheritance of land. In many countries, women stand for the bulk of food production, but they also need the right to own land, in order to obtain credits and training, as well as tools, to increase the productivity of the land and to be able to better feed themselves and their families.

45. The "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food-Importing Developed Countries" adopted in Marrakech in 1994 and endorsed by the World Food Summit in 1996 needs to be evaluated and revised to better ensure its effective implementation with regard to the specific needs of LDCs.

46. It is also important to combat environmental threats to sustainable development, in particular, drought and desertification, rapid decline of biological diversity, degradation and pollution of land and soil, aquatic resources exhaustion due to over-fishing or by deterioration of spawning grounds, inequitable access to and overuse and pollution of freshwater and marine resources and the adverse effects of climate change. LDCs will also have to build their capacity in order to be able to adequately respond to the environmental challenges linked to globalisation and new technologies, such as the sound and integrated management of persistent toxic substances and genetically modified organisms. Most LDCs are particularly affected by water stress (drinking water and irrigation aspects), inadequate sanitation and its attendant health problems.

47. Sufficient, clean and affordable energy is an essential precondition for sustainable socio-economic development and increased access to sustainable and appropriate energy technologies has a key role to play in poverty eradication and in improving the welfare of people in LDCs. The provision of energy services, in particular though decentralised activities, and the promotion of renewable energy sources in rural areas, is an increasingly important issue. The Okinawa G8 Summit of July 2000 set up a Task Force to prepare concrete recommendations on ways to better encourage the use of renewables in developing countries, with the aim of alleviating poverty, protecting the environment and integrating developing countries into the world economy.

48. Priority action by LDCs should be aimed at identifying special vulnerabilities and possible adaptation measures that need to be fully integrated into the country's development strategies, including, as appropriate, development cooperation programs.

49. Concrete action by the international community could include the following measures: enhance the integration of environmental aspects into development programs and projects; support for strengthening the capacity of the LDCs to implement international environmental agreements through environmental regulations; facilitate food security through a multilateral and regional approach, including purchase in regional markets in LDCs; support projects related to the management of the natural and urban environment; support projects of programmes related to the sustainable management of aquatic resources, review of the the 1994 Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries to better ensure its effective implementation.

F. 2.4. Enhancing productive capacity

50. In the LDCs, poverty reduction strategies can be effective only if they attempt to address the supply capacity weaknesses of this group of countries. The enhancement of the productive capacity of LDCs in an economically, environmentally and socially sustainable way is a cross-cutting issue that requires actions in all the other areas. In order to address the problems of productive capacity a whole range of different macro-economic and cross-sectoral factors needs to be considered: resource mobilisation, open national markets and competition, trade policy, regional cooperation and integration, the support of private sector, development of the human capital, transport and communication system, and new technologies.

51. Resource mobilisation can take place only in a situation of political stability and in the presence of an appropriate network of strong and reliable financial, legal and administrative institutions. It requires the definition of a clear and consistent set of public objectives, sound macroeconomic policies, an efficient management of public revenue and expenditure, better allocation of resources and incentives to encourage private savings and capital repatriation, tax reforms, and a solid framework to implement stabilisation or structural adjustment programmes.

52. Open national markets and market oriented policy approaches are fundamental in order to strengthen macroeconomic stability and the efficiency of national economies. Competition leads to an international competitive private sector, provided that it takes place in a framework of strong competition rules. For this purpose, it is essential both to reinforce domestic competition institutions and to enhance international cooperation against anti-competitive practices of an international dimension. An open and comprehensive trade policy that ensures the economic, social and environmental sustainability of trade and investment will contribute to an increase in productive capacity and to the smooth and gradual integration of LDCs into the world economy. The support for domestic trade policy making capacity as well as measures to enhance the capacity to the private sector to respond to enhanced trade opportunities, need to be an integral part of national development strategies.

53. Macroeconomic stability is facilitated if policy-making takes place in a regional framework that ensures monetary stability, fiscal discipline, stable trade relationships and reliable communication and transport networks.

54. The private sector can play a crucial role in poverty reduction by contributing to economic growth and creating employment. Support to the private sector development should therefore be strengthened and given additional focus on poverty reduction, notably through more attention to local development and the development of services more adapted to the needs of the poor. Specific attention should be given to the needs of micro, small and medium-sized enterprises, including enterprises owned by female entrepreneurs, and to the development of a sustainable financial sector. Partnership cooperation between the public and private sector has to be intensified. It is also important to encourage and promote good corporate practices and learning experiences in the areas of human rights, labour and the environment. In particular, it is essential to encourage the private sector operating in LDCs to apply the fundamental principles and rights at work, and encourage business organisations, trade unions and other groups in civil society to monitor their implementation.

55. To achieve viable economic growth LDCs must develop their financial sector to cater not just for the needs of medium-sized and large-scale enterprises but also for the undergrowth of micro enterprises and small-scale farming that provide employment and training for large sections of the population and in many countries form the seed bed of entrepreneurial drive. Donors, on their part, should support the acceleration of efforts to develop effective local financial markets, supporting the establishment of an appropriate regulatory framework and a banking supervision system, and contributing to the development of micro-finance institutions. Donors should co-ordinate themselves and promote the implementation of best practices through the support of international fora such as the Consultative Group to Assist the Poor (CGAP).

56. The majority of the poor live in the rural area. Increasing the sustainable productive capacity of agriculture and fisheries and the income of people working in these sectors in LDCs is therefore a key priority. It requires new investments into regional and national agricultural and fishery research research and rural infrastructure, extension of better farming and fishing practices and innovative and sustainable technologies, as well as marketing advice, structured and effective finance and greater tenure security, including access to and control over land for female farmers irrespective of their marital status. Increased environmental awareness by consumers in developed countries may provide market opportunities for sustainably produced goods from LDCs enabling them to obtain premium prices and increase in sale.

57. LDCs are particularly vulnerable to high fluctuations in resource flows through their exposure to external Terms of Trade shocks. The recent downward swing in the prices of primary commodities and the upward swing in petroleum prices are only the last example of the effect of volatility of commodity prices on the poorest countries. Diversification of the export base would therefore help LDCs to overcome one of the most important weaknesses of their development. Furthermore, economic development in LDCs would benefit from policies aimed at developing the informal sector and the small- medium-scale enterprises in LDCs.

58. The promotion of sustainable energy and the modernisation of the transport and communication system will require over the next few years large-scale investments and the mobilisation of an important amount of domestic and external resources. While in LDCs public investments have the leading role to play, it will also be important to mobilise private sector investments. ODA should catalyse those financial flows.

59. In order to address those problems, the following policy measures by LDCs could be considered: creating or enhancing an appropriate legal framework, in order to address the problems related to the inefficiency of financial markets (especially in terms of de-monopolisation and privatisation programmes, legislation on joint-ventures, financial transparency and accounting/reporting rules); adoption and carrying out of structural adjustment programs and related reforms; a more efficient management of public expenditure, a better allocation of existing resources and coherent fiscal reforms; development of transparent and open frameworks on FDI and effective national competition institutions; integrate trade policy reforms into national development strategies; the encouragement of private savings and concrete action with regard to capital repatriation; the promotion of new investments to develop the agricultural sector, in particular addressing the problems related to the lack of adequate infrastructure and of appropriate and innovative farming practices; creation of regional frameworks that ensure monetary stability, stable trade relationships and reliable communication and transport networks; policies aimed at developing the informal sector and the small to medium-scale enterprises.

60. Action by the international community could include: support for the structural adjustment programs based on good governance principles; enhanced trade-related technical assistance to improve the legal and regulatory framework; support for measures aimed at developing the private sector, including support for cross-border investment cooperation; support the development of appropriate micro-finance tools; sectoral-type support connected with agriculture and towards horizontal themes connected with social development (health, education).

G. 2.5. International trade, commodities and services

61. Coherent trade policy reforms remain an essential element of internal reforms in LDCs. Trade and investment contribute significantly to economic growth and to poverty reduction. While integration into the world economy in itself is insufficient to foster development, which also depends on the distribution of wealth, it is a necessary precondition for long term sustainability of poverty eradication. However, while increasing trade and investment flows have been beneficial to emerging economies, marginalisation of LDCs persists. The objective of gradual integration of LDCs into the world economy can only be achieved through an integrated approach, including trade- and macroeconomic policy, private-sector development, finance, infrastructure, education and other supply-side measures.

62. LDCs should adopt coherent trade policy reforms as an essential element of their general macroeconomic and sector reforms. This requires particular support by developed countries. LDC governments and donors should focus on a trade sector-specific approach which includes the development of trade and investment policies and capacity building in trade-policy areas such as tariffs, customs, investment, technology and trade related areas such as competition, environment and consumer protection. Technical cooperation in areas related to the implementation of existing or possible new WTO agreements, such as standards (sanitary and phytosanitary measures, technical barriers to trade), customs valuation, intellectual property rights, notifications, competition and investment policy should complement these trade-policy reforms. Such technical cooperation should help countries make better use of the opportunities offered by trade liberalisation and new policy areas in terms of market access, structural development and improved competitiveness. Access to new technology, including electronic commerce, should be another priority of technical cooperation between developed countries and LDCs. The drafting, implementation and monitoring of such trade-sector programmes should build on co-ordination and complementarity with all parties involved and should be based on the Integrated Framework (IF) for LDC. The EU fully supports the Integrated

Framework, which builds on the sound principles of demand-driven and well-targeted technical assistance based on cooperation and synergy among donors. The implementation of the IF needs to be strengthened, and adequate funding must be ensured. In the context of the review of the IF, the World Bank and the UNDP have confirmed their intention to better integrate trade and trade-related technical assistance in country specific development strategies. Such mainstreaming is crucial to help ensure that LDCs integrate in the world economy and reap increasing gains from it.

63. Developed countries on their part should provide a conducive trade-framework for growth and economic integration of LDCs. The EU is committed to grant duty-free and quota-free market access for essentially all products originating in LDCs. Other developed and more advanced developing countries should follow this example. The European Commission has also taken a new initiative to provide duty-free and quota free access for all products (except arms) from all LDCs into the EU.

64. The Cotonou Convention provides an example of how political dialogue, trade and development can be brought together. The new agreement between the EU and ACP countries combines a substantive political dialogue among the partners with an innovative cooperation in the field of trade and new mechanisms for development cooperation. Economic and trade cooperation will aim at fostering the smooth and gradual integration of the ACP States into the world economy, with due regard for their political choices and development priorities, thereby promoting their sustainable development and contributing to poverty eradication in the ACP countries. In view of this objective, the parties agree in the Convention to conclude new WTO compatible trading arrangements, removing progressively barriers to trade between them and enhancing cooperation in all areas relevant to trade. As the new trading arrangements will be introduced gradually, the Convention provides for a preparatory period. Development cooperation will support the entire process. In addition to its combination of politics, development and trade, the new agreement is made unique by its concrete mechanisms for North-South and South-South partnership, its long-term character and its contractual nature.

65. Regional integration, compatible with multilateral trade rules, can be an important stepping stone for LDCs to integrate themselves into the world economy and should be supported by developed countries. Regional Trade agreements can help make liberalisation work by enhancing the credibility and transparency of the policy reforms. Regional integration has also a strong political component. Economic integration, diversification and regional growth foster security and peace.

66. Most LDCs are commodities dependent and experience structural difficulties related to the relative rigidity of demand and supply of commodities in importing countries, to the long-term downward trends of the prices of many commodities and to the volatility of those prices. These structural difficulties have a negative impact on the export earnings of producing countries, on their economic growth and on income distribution. Diversification policies for breaking the dependency on commodities and stabilising export earnings risk to be ineffective without a broader integrated approach, addressing also the challenges of increasing competitiveness through liberalisation and privatisation, institution building, investment and training, risk management, more equitable income distribution in commodities sectors and a sustainable management of scarce natural resources. The increasing concerns of both producers and consumers countries on the purpose and functioning of present international commodity agreements should lead to a re-evaluation of the international cooperation in this field.

67. The sustainable development of the tourism industry in LDCs can play an important role in the expansion of their global trade, in stimulating other sectors of economic activity and in contributing to poverty eradication. Cooperation programs and projects should aim at establishing and improving the countries legal and institutional framework and resources for the development and implementation of sustainable tourism policies and programs.

68. LDCs priority actions could include diversification policies for breaking the dependency on commodities, liberalisation and privatisation measures in order to enhance their competitiveness and targeted domestic policy reform to help create an environment conducive to trade and investment.

69. Priority action by the international community could include: initiatives for improved market access for LDCs, complemented with capacity building measures; support for strengthening the implementation of the Integrated framework for LDCs improved cooperation in all areas relevant for trade (sanitary and phyto-sanitary measures, health standards, environmental matters etc.) in order to enhance the capacity of LDCs to handle all these issues and make use of the opportunities offered; promote and support regional integration initiatives.

H. 2.6. Financing growth and development

70. Despite the positive effects that domestic policies can achieve in mobilisation of local resources, ODA will remain a critical resource for the development and implementation of sustainable poverty reduction strategies in LDCs. It is therefore important that the ODA volume is brought in line with the UN agreed target (0.15 per cent of the GNP). ODA to LDCs should in particular contribute to poverty reduction through support to social and environmental policies, to capacity building, including trade related capacity building, to the development of physical infrastructure, and should accompany policy reforms geared towards sustainable development.

71. At the same time, poverty reduction and sustainable development strategies require an improvement in aid effectiveness. To that effect, increasing national ownership through the integration of external aid into consistent macro-economic and sectoral programmes is crucial. The Comprehensive Development Framework and the Poverty Reduction Strategy Papers constitute appropriate frameworks for devising effective complementarity and division of tasks. The EU is making in effort towards the objective of wider co-ordination, both within the EU and in relation with the strategies of other donors or multilateral agencies, through the new framework for Country Strategy Papers.

72. Ownership implies also good governance, devolution of responsibility and broad-based participation of women and men at the local and national levels, as well as human resource development and strengthening of non-state government institutions, non-governmental organisations, women's networks and private sector associations. Increased donor co-ordination requires a strengthening of the leading role of LDC governments, as well as the utilisation of qualitative and quantitative indicators such as the level of poverty and economic and geographic vulnerability in determining eligibility for aid. The transition from project to "sector programme" support will facilitate ownership, donor co-ordination, complementarity, harmonisation of procedures and greater effectiveness of financial support and would provide an overall view of the problems of a sector.

73. The nature of cooperation instruments has to be adapted to the needs and capacity of each country. The specificity of the problems of LDCs requires the development of appropriate intervention methods, ensuring the consistency between emergency aid, rehabilitation and development actions.

74. Foreign direct investment (FDI) can play an important role in poverty reduction strategies as it is an important source not only of capital but also of managerial skills, technologies and know-how and could represent a strategic key to help the strengthening and growth of local industrial clusters. FDI into developing countries has been growing over the last years but LDCs received less than 1% of all developing countries' inflows. The main problems to address are the instability of the macro-economic environment, the structural weakness of the institutional and legal framework, the poorly functioning markets, especially capital markets, and the high costs of communication and transportation. Poor policy, arbitrariness in dealing with companies and corruption are the main reasons for prospective investors opting to stay out. There is therefore a need for additional efforts by LDCs to adopt measures aimed at creating or enhancing a stable economic, legal and institutional framework in order to attract foreign investment and to promote sustainable development through investment. There is also the need for increased and better-focused development aid aiming at supporting LDCs efforts in that direction. In some cases, the key challenge is to inform prospective investors that the required reforms have been made, and that real investment opportunities exist.

75. The external debt overhang in LDCs impedes their development, since debt service takes up a large part of the scarce budgetary resources and the debt overhang harms the internal and external investment climate. In spite of the present scarcity of available resources and the relatively slow/limited implementation of some major donors' pledges, the HIPC-II initiative which was presented at the Cologne Summit in 1999, remains the most comprehensive debt initiative currently in place. The main challenge today is indeed to ensure that what has been decided in Cologne is actually financed and implemented, which means a rapid and fair contribution of all major development stakeholders to the HIPC II financial gap.

76. Priority actions by LDCs could include measures to promote domestic savings, financial sectors reforms and tax reforms.

77. Concrete priority action by the international community could include the following measures: in time bring ODA for LDCs in line with agreed targets; better focus ODA flows for the creation of physical infrastructure, the development of social policies and for capacity building; improve aid effectiveness, through an increased co-ordination and information sharing among donors and the utilisation of indicators such as the level of poverty and economic and geographic vulnerability in determining eligibility for aid; finance and implement the HIPC II initiative.